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31<sup>st</sup> March 2025

Dear **Project Team**

**RE: Visitor Levy Proposal**

We are writing a joint submission representing the five **Highland Business Improvement Districts**, namely **Dornoch, Nairn, Fort William, Visit Inverness Loch Ness**, and **Inverness BID** in respect to the **Visitor Levy Proposal**.

For reference, we have a democratic mandate, renewed within the last two years across our respective organisations, to represent 2,051 levy-paying stakeholders across the Highland business community.

The following representations are lodged '**without prejudice**' including to any fuller and further representations as may have been already submitted or which may be lodged by us either individually or collectively in due course, or by any BID businesses or business in a BID area in their own right.

*Our collective position can be summarised as being that the proposed percentage rate is too high, the scheme too complex, and there is a potential risk to our local and regional economy (including as may result due to business closures, job losses and reduced visitor numbers).*

1. **Visitor Levy Survey** – we submit also for your attention **Appendix 1**, i.e. the findings of the recently conducted joint BIDs survey on the proposals.

We respectfully request that these findings and our additional points below are given reasonable material consideration and response:

(i) **Summary** – Just 4% of respondents note that they agree with the current proposal, almost 40% are in favour of the *principle* of a Visitor Levy but not the current proposal and over 55% recorded that they do not agree with any Visitor Levy being applied in Highland.

(ii) **Highland Residents** – Only 5% of respondents support Highland Residents being charged a Visitor Levy with over 91% of survey respondents noting that they are against charging Highland residents a Visitor Levy.

- We further submit that not exempting Highland residents would reduce circular income within the local and regional economy, discourage sustainable and more local travel, and unfairly impose additional costs on those already contributing to goods and services via their Council Tax payments (double taxation).
- In addition the council has recently established a Poverty and Inequality Commission which underscores the need to not disproportionately impact low-income residents.
- Given there are no exemptions proposed for those on means-tested benefits, only for those on non-means tested disability benefits, imposing a Visitor Levy on *all* Highland residents would also contradict the aim of reducing unnecessary financial strain on individuals and families the commission initiative aims to support.
- Journey purpose can vary making any ad hoc or limited exemptions for some individuals or groups potentially unfair and unworkable and we contend that it is illogical to treat Highland residents as locals for Council Tax purposes but as tourists for Visitor Levy including due to the monies raised being proposed to be spent Highland wide.

**Any Visitor Levy applied therefore should not include Highland residents and we object to Highland residents being subject to Visitor Levy liability for any reason.**

(iii) **Highland Businesses** – Almost 93% of respondents do not support Highland businesses also being charged a Visitor Levy when travelling elsewhere in Highland for stays for work or business purpose with less than 4% being in support.

The full economic impact of Visitor Levy increasing the cost of doing business in Highland has not at the current time been properly assessed or quantified. See also point (v).

**We object to Highland businesses many of whom already pay non-domestic rates, in some cases who also pay a local BID levy and/or who have other additional expenditure due to the higher cost of doing business in Highland, also being subject to paying a Visitor Levy.**

- (iv) **Levy Rate** – c.85% of respondents note that they do not support a percentage levy above 2%.

The majority of respondents also do not support a percentage levy model at all and in the alternative support strongly favours a low flat rate i.e. 78.5% of respondents favoured a flat rate being applied at under £2 per night.

Evidence suggests that a low flat rate can be a win-win and does not impact onerously on the market conditions: [Does an industry-promoted tourist tax per night affect hotel performance? Quasi-experimental evidence from Manchester - ScienceDirect](#)

It is worth noting that just because Highland Council *can* implement the proposed Visitor Levy does not mean it *should*.

A low £ flat rate per night is not currently permitted under the Visitor Levy Act (Scotland) 2024, however, without any change in legislation we highlight that there is an existing and alternative option to potentially apply a low flat rate via the current Business Improvement Districts (Scotland) Regulations 2007.

This opportunity is referenced in the Business Regulatory Impact Assessments undertaken in 2023 by the Scottish Government at 4.6:

[Visitor Levy \(Scotland\) Bill: Business and Regulatory Impact Assessment \(BRIA\)](#)

We do not agree with some of the narrative and conclusions the BRIA reaches within this assessment and would highlight moreover that the ABID (Accommodation BID) model has been successfully implemented across England, including in Manchester, Liverpool, and York with many others pending and that when applied well, this approach can represent a ‘grass roots’ business and sector led model which may overall and subject to business input, be more widely supported and acceptable.

In further support that this option should be properly considered for Highland we also highlight the following:

- BID Levy is not subject to VAT. A key concern about the current proposal has been that it may constitute a tax on a tax and due to levy collected being counted as income. The additional burden of a Visitor Levy being subject also to VAT for those businesses over the threshold moreover takes further monies out of our local and regional economy.

- Businesses who are not liable for Non-Domestic Rates (typically smaller enterprises) do not pay BID Levy. This helps to support better any SMEs who may otherwise be affected.
- The BID Levy structure allows for a low flat rate to be applied (currently £1 per night in Manchester) and, for existing BIDs in Highland would enable a hybrid billing proposal to be potentially put forward at the next re-ballot for our respective BID areas.
- BID Boards consist of elected local business representatives, alongside elected members, other suitably qualified individuals and could be extended to also include wider key stakeholders subject to local needs.
- A BID model with a number of independent BIDs taking the lead across Highland would negate an overly broad approach (the current Visitor Levy proposal for example, seeks to apply a Highland wide 'one size fits all') and would recognise that different areas within Highland may have different opportunities and challenges which need to be considered and accommodated.
- BIDs are directly accountable to the businesses in their area and the BID model offers a more democratic approach to local economic development as businesses affected would have the opportunity to co-design their local or sector BID plans (a Highland wide BID would not be workable) and businesses would be able to also vote on any business proposal as may be applicable for a fixed 5 year term.
- Each BID already operates as an independent entity so adding additional BIDs to the geographic coverage within Highland would be relatively straightforward. There have been two new BIDs established for example within the last 2 years.
- Funds raised through an expanded Highland BID model would ensure that monies raised via each respective BID, would not be redirected to be spent on statutory priorities (housing/potholes), as permitted expenditure would be strongly safeguarded by the terms of the BID proposal, and the required Baseline Services Agreement which precludes this type of expenditure.
- A local Highland led BID model also aligns more directly with the Council's Community Wealth Building Strategy which aims to ensure that revenue generated within an area remains invested in that area. We note that the BID

model is already evolving to include a Community Improvement District element and if accepted, the model could be a more direct way that this strategy can also be realised and embedded.

- The cost of BID levy collection is much less than the c£550k proposed for the Visitor Levy arrangements, meaning if adopted, more money could be spent instead on improving services and/or infrastructure as well as delivering projects rather than on administration.
- The administrative burden on businesses under a BID model would be significantly reduced, as it operates through a straightforward process without the need for individual monthly or quarterly returns by businesses thus it would not overly impact on business resource. Instead, an ABID levy is calculated based on average occupancy using STR data, which accounts for seasonal variations, and is issued as a quarterly bill.
- An appeals process is in place, along with exemptions for businesses operating below the average occupancy level. Businesses exceeding the average occupancy threshold may retain any additional levy collected. In Manchester, where a £1 levy is typically collected separately at check-out, the collection rate is reported as being 100%, demonstrating the effectiveness of this approach.
- Seed funding to develop BIDs across Highland is available via Scotland's Improvement Districts. There is a lead in time for a Visitor Levy and this time could be spent with the support of existing BIDs and SIDs to assist areas that may want to adopt this non-regulatory model to get an accommodation or hybrid BID established as an alternative to a local authority led Visitor Levy.
- Any BID Accommodation Levy would also allow potential relief of Common Good Funds for services and projects and could more directly be used primarily for business or leisure purposes leading to more funds being available to address priorities such as reducing poverty and given business involvement to support economic growth at local and regional level.

Our position is that for areas where there is an *existing* BID or a proposed BID, a Visitor Levy **should not** therefore be applied in addition.

We note that assurance has already been given that implementing a Visitor Levy is not a 'cash grab' and so we trust that the local authority not having full control will not be a barrier to consideration of BID models being a viable alternative way that visitors can contribute to the sustainability of our region as a tourist destination without causing unknown or detrimental economic harm via a low flat rate.

**Irrespective we note our objection to the application of a percentage rate of Visitor Levy, and note our collective support for a low flat (not banded) rate in the alternative. A low flat rate we propose could be achieved via a Highland BIDs model as outlined above without the need for Scottish Government to agree to a change in the Visitor Levy legislation.**

**(v) Economic Impact Assessment** – Almost 80% of respondents noted that they are in favour of an Independent **Economic Impact Assessment** being undertaken to provide clear, evidence-based analysis of the full risks and benefits of different options of Visitor Levy which would ensure that decision making is from an optimally informed perspective including establishing which (if any) option is most advantageous.

- At the time of writing it has been projected that the proposed Visitor Levy will raise c£10m in revenue. It has been conceded also however that this figure may not be wholly reliable or accurate. The current impact assessments have moreover been described as being basic and reliant on potentially outdated data and matrices.
- We highlight that there are a number of more comprehensive, relevant and reliable approaches to assessing the economic impact (below not exhaustive) which could, ideally with terms of reference for the EIA exercise being agreed with business representatives in advance, provide a more accurate analysis.
- Raising a ‘meaningful amount’ must be balanced with ensuring that the overall cost vs benefit ratio is favourable including to ensure and demonstrate that business closures or job losses will be mitigated.
- For example, a synthetic control methodology could assess:  
Rooms Sold (hereafter Demand), Average Daily Rate (ADR), Occupancy, Total Room Revenue (Revenue), and Revenue per Available Room (RevPAR).
- Evidence from other (more local) Visitor Levy schemes could be more fully assessed along with an assessment of competitive impact due to some areas opting not to apply a Visitor Levy.
- The wider impact on the diverse Highland Tourism sector including for price elasticity of demand for tourism visits (i.e. the changing level of tourism as a result of changes in costs) and a robust economic assessment of wider economic impacts also needs quantified.

- Research could also be undertaken into the viability of local tourism businesses in order to consider the potential impact of a reduction in demand and thus turnover.
- A Tourism market and socio-economic conditions review and in particular accommodation and reports on local trends and comparative performance could further assist in ensuring fair and informed decision making. This exercise may also include a review of relevant policies, such as the Highland Sustainable Tourism Strategy.
- In addition, a high-level analysis of socio-economic conditions and trends as well as developing an Economic Impact Assessment model – which may include: Input Output (IO) to assess the direct, indirect, and induced effects of the proposed Levy based on the Supply, Use and analytical Input-Output Tables produced by the Scottish Government could be beneficial. An IO modelling could provide a means of assessing the various economic impacts through **all** sectors in the local economy.

**In the absence of robust and reliable impact assessments, it remains the case that the current proposal is at present demonstrably not fully context or evidence led.**

**We therefore note our objection to the current proposal on the basis that the economic impact across the Highland tourism and hospitality sector has not been properly quantified and/or assessed.**

- (vi) **Visitor Levy Forum** – Only 17.5% of respondents recorded that they do not want a Visitor Levy Forum to have any decision-making powers. 1 in 4 were ‘not sure’ and over 56% supported full or partial decision-making powers.
- A repeated concern with the proposed Visitor Levy is how monies raised will be spent. We highlight that the local authority could opt to give any Visitor Levy forum full or partial decision making powers to allay these concerns.
  - (vii) **Business Impact** – Over 85% of respondents noted that they consider the current proposal would have either a negative or a strongly negative impact on their business.

**Given this very low level of business confidence undertaking a comprehensive, and fully independent Economic Impact Assessment will be essential.**

**(viii) Other Impact(s) –**

- **Administrative Burden** - Nearly 83% of respondents supported that a portion of admin costs be returned to businesses to help cover start up, ongoing or both start up and ongoing admin costs. The BRIA projection of costs we contend is too low.
- **Equality Impact** – some individuals and groups who share a protected characteristic as defined in the Equality Act (2010) may be disadvantaged by the current proposal. The current disability exemption is also not clear as to whether this extends to those travelling from without the UK or to children in receipt of DLA or CDP.
- **Environmental Impact** – a key objective of the proposal is to promote sustainable tourism. However, the absence of any differentiation or incentives for travellers using sustainable transport methods to reach their destination raises concerns. Additionally, if the proposal leads to shorter stays, does not incentivise shoulder month stays and discourages more local travel, it may inadvertently counteract its own stated sustainability goals.

**Overall including for the reasons outlined above the Highland BIDs Collective formally submits that we therefore cannot support the Visitor Levy proposal in its current form.**

We thank you in advance for your full consideration and response.

Kind Regards

Chair of **Visit Inverness Loch Ness**, Chair of **Inverness BID**, Chair of **Dornoch BID**

Chair of **Fort William BID** and Chairs of **Nairn Connect BID** on behalf of our respective BID Boards

*NB With the express noted exception of any BID Board Directors who have, due to being also elected members, declared an ongoing conflict of interest in respect to this item.*